



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

David A. Vaudt, CPA  
Auditor of State

**NEWS RELEASE**

FOR RELEASE

June 15, 2010

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the Sherrill Sewer Department, Sherrill, Iowa.

The Sewer Department's receipts totaled \$674,124 for the year ended June 30, 2009. The receipts included \$565,259 from loan note proceeds, \$21,126 from operating receipts, \$87,149 from intergovernmental grants and \$590 from interest on investments.

Disbursements for the year totaled \$733,785, and included \$640,415 for sewer project construction, \$87,149 for debt service and \$6,221 for sewer utility operating costs.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/index.html>.

# # #



**SHERRILL SEWER DEPARTMENT**  
**INDEPENDENT AUDITOR'S REPORTS**  
**FINANCIAL STATEMENT AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2009**

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## **Sherrill Sewer Department**

### **Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dave Beringer	Mayor	Jan 2010
Rob Wiedenbacher	Mayor Pro tem/Council Member	Jan 2010
Brian Hefel (Appointed)	Member	Dec 2009
Jim Decker	Member	Jan 2010
Patsy Hefel	Member	Jan 2012
Robert Richter	Member	Jan 2012
Rhonda Mueller	City Clerk	Indefinite
Michael J. Schuster	City Attorney	Indefinite

**Sherrill Sewer Department**



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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statement of the Sherrill Sewer Department, Sherrill, Iowa, as of and for the year ended June 30, 2009. This financial statement is the responsibility of the City of Sherrill's officials. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described in Note 1, this financial statement was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. As discussed in Note 1, the financial statement of the Sherrill Sewer Department is intended to present only the financial position and results of the transactions of that portion of the City of Sherrill that is attributable to the transactions of the Sherrill Sewer Department.

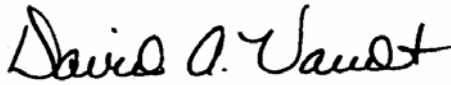
In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Sherrill Sewer Department as of June 30, 2009, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

The Sherrill Sewer Department has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the financial statements.

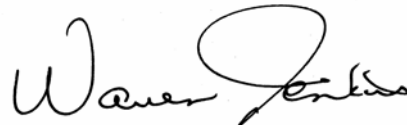
In accordance with Government Auditing Standards, we have also issued our report dated May 28, 2010 on our consideration of the Sherrill Sewer Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Budgetary comparison information on pages 14 and 15 is not a required part of the basic financial statement, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole. The supplementary information included in Schedules 1 and 2, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to the auditing procedures applied in our audit of the financial statement and, in our opinion, is fairly stated in all material respects in relation to the financial statement taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

May 28, 2010



## **Financial Statement**

**Sherrill Sewer Department**

Sherrill Sewer Department  
Statement of Cash Receipts, Disbursements and  
Changes in Cash Basis Net Assets  
As of and for the year ended June 30, 2009

Operating receipts:	
Charges for service	\$ 20,950
Miscellaneous	176
Total operating receipts	<u>21,126</u>
Operating disbursements:	
Business type activities:	
Administration	2,113
Plant operation and maintenance	4,108
Total operating disbursements	<u>6,221</u>
Excess of operating receipts over operating disbursements	<u>14,905</u>
Non-operating receipts (disbursements):	
Intergovernmental	87,149
Interest on investments	590
Loan note proceeds	565,259
Debt service	(87,149)
Capital projects	(640,415)
Net non-operating receipts (disbursements)	<u>(74,566)</u>
Net change in cash basis net assets	(59,661)
Cash basis net assets beginning of year	<u>72,247</u>
Cash basis net assets end of year	<u><u>\$ 12,586</u></u>
<b>Cash Basis Net Assets</b>	
Unreserved	<u><u>\$ 12,586</u></u>

See notes to financial statement.

Sherrill Sewer Department

Notes to Financial Statement

June 30, 2009

**(1) Summary of Significant Accounting Policies**

A. Reporting Entity

The Sherrill Sewer Department is a department of the City of Sherrill, Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis.

B. Basis of Presentation

The accounts of the Sewer Department are classified as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

C. Basis of Accounting

The Sherrill Sewer Department maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Sewer Department is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statement does not present financial position and results of operations of the fund in accordance with U.S. generally accepted accounting principles.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**(2) Cash and Pooled Investments**

The Sewer Department's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Sewer Department is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Sewer Department had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

**(3) Sewer Revenue Loan Agreement Anticipation Project Note**

On December 22, 2008, the City issued a sewer revenue loan agreement anticipation project note with a maximum principal amount not to exceed \$605,000 and an interest rate of 4.95% per annum. The note was issued for the purpose of paying the costs of improvements and extensions to the City's sanitary sewer system. The loan is payable in anticipation of the receipt of future proceeds of an authorized loan agreement and a corresponding issuance of sewer revenue notes. During fiscal year 2009, the City received note proceeds of \$565,259, redeemed principal of \$83,928 and paid \$3,221 of interest. The remainder of the advance matures on March 1, 2010.

**(4) Pension and Retirement Benefits**

The Sewer Department contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of covered salary. Contribution requirements are established by State statute. The Sewer Department's contribution to IPERS for the year ended June 30, 2009 was \$199, equal to the required contribution for the year.

**(5) Risk Management**

The Sewer Department is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(6) Commitments**

The City has entered into various construction contracts totaling \$971,675 for a new wastewater system improvement project. At June 30, 2009, \$350,967 remains unpaid and will be paid as work on the project progresses. The project will be funded through bond/note proceeds, grants, donations and local sources, as necessary.

**(7) Subsequent Event**

In November 2009, the City authorized the issuance of \$605,000 of sewer revenue notes, series 2009 for use in financing the wastewater system improvement project.

**Sherrill Sewer Department**

### **Required Supplementary Information**

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Sherrill Sewer Department

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -  
Budget and Actual (Cash Basis)

Year ended June 30, 2009

	Actual	Budgeted Amounts Original/Final	Final to Actual Variance
Receipts:			
Use of money and property	\$ 590	1,000	(410)
Intergovernmental	87,149	500,000	(412,851)
Charges for service	20,950	30,000	(9,050)
Miscellaneous	176	-	176
Total receipts	108,865	531,000	(422,135)
Disbursements:			
Business type activities	646,636	1,030,000	383,364
Excess (deficiency) of receipts over (under) disbursements	(537,771)	(499,000)	(38,771)
Other financing sources (uses), net	478,110	500,000	(21,890)
Change in cash basis net assets	(59,661)	1,000	(60,661)
Cash basis net assets beginning of year	72,247	75,628	(3,381)
Cash basis net assets end of year	\$ 12,586	76,628	(64,042)

See accompanying independent auditor's report.



Sherrill Sewer Department

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

The Sherrill Sewer Department prepares a budget on the cash basis of accounting and submits it to the City Council. In accordance with the Code of Iowa, the City Council annually adopts a budget, which includes the Sewer Department, on the cash basis following required public notice and hearing. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon classes of disbursements known as functions, not by fund. The Sewer Department's disbursements are budgeted in the business type activities function. The Sewer Department's budget is reflected in the original and final budgeted amount. The Sewer Department's budget was not amended during the year.

During the year ended June 30, 2009, disbursements did not exceed the amount budgeted.

**Sherrill Sewer Department**

### **Other Supplementary Information**

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Sherrill Sewer Department  
Schedule of Indebtedness  
Year ended June 30, 2009

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
Sewer revenue loan agreement anticipation project note	Dec 22, 2008	4.95%	\$ 565,259

See accompanying independent auditor's report.

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Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
-	565,259	87,149	478,110	3,221

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**Schedule 2**

Sherrill Sewer Department  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2009

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Agriculture:			
Water and Waste Disposal Systems for Rural Communities	10.760	09BHGAX689	<u>\$ 464,440</u>
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/ State's Program and Non-entitlement Grants in Hawaii	14.228	07-WS-066	103,770
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Homeland Security and Emergency Management Division:			
Homeland Security Grant Program	97.067		<u>3,371</u>
Total indirect			<u>107,141</u>
Total			<u><u>\$ 571,581</u></u>

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Sherrill Sewer Department and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statement.

See accompanying independent auditor's report.



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Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of a Financial Statement Performed in Accordance with  
Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statement of the Sherrill Sewer Department, Sherrill, Iowa, as of and for the year ended June 30, 2009, and have issued our report thereon dated May 28, 2010. Our report expressed an unqualified opinion on the financial statement which was prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Sherrill Sewer Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing our opinion on the effectiveness of the Sewer Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sewer Department's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Sherrill Sewer Department's ability to initiate, authorize, record, process or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the Sherrill Sewer Department's financial statement that is more than inconsequential will not be prevented or detected by the Sherrill Sewer Department's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the Sherrill Sewer Department's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items II-A-09 and II-B-09 are material weaknesses.

#### Compliance and Other Matters

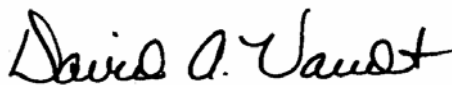
As part of obtaining reasonable assurance about whether the Sherrill Sewer Department's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and other matters, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted an immaterial instance of non-compliance or other matters that is described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the Sherrill Sewer Department's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Sewer Department. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

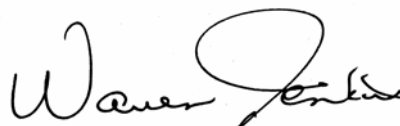
The Sherrill Sewer Department's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the Sewer Department's responses, we did not audit the Sewer Department's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and customers of the Sherrill Sewer Department, the City of Sherrill and other parties to whom the Sherrill Sewer Department may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Sherrill during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

May 28, 2010



**Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133**

**Sherrill Sewer Department**



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Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133

To the Honorable Mayor and  
Members of the City Council:

Compliance

We have audited the compliance of the Sherrill Sewer Department, Sherrill, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2009. The Sherrill Sewer Department's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the Sherrill Sewer Department's officials. Our responsibility is to express an opinion on the Sherrill Sewer Department's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Sherrill Sewer Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Sherrill Sewer Department's compliance with those requirements.

In our opinion, the Sherrill Sewer Department complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

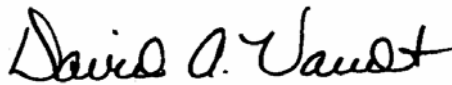
The management of the Sherrill Sewer Department is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the Sherrill Sewer Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Sherrill Sewer Department's internal control over compliance.

A control deficiency in the Sherrill Sewer Department's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Sewer Department's ability to administer a federal program such that there is more than a remote likelihood non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Sherrill Sewer Department's internal control.

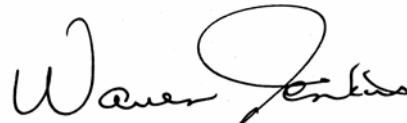
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the Sherrill Sewer Department's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the Sherrill Sewer Department's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and customers of the Sherrill Sewer Department, the City of Sherrill and other parties to whom the Sherrill Sewer Department may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

May 28, 2010

Sherrill Sewer Department  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2009

**Part I: Summary of the Independent Auditor's Results:**

- (a) An unqualified opinion was issued on the financial statement which was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statement, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 10.760 – Water and Waste Disposal Systems for Rural Communities.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Sherrill Sewer Department did not qualify as a low-risk auditee.

Sherrill Sewer Department  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2009

**Part II: Findings Related to the Financial Statement:**

**SIGNIFICANT DEFICIENCIES:**

II-A-09 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas:

- (1) Cash – handling, reconciling, recording and depositing.
- (2) Bank reconciliation – preparation and maintenance of accounting records.
- (3) Investments – recordkeeping and investing.
- (4) Utilities – billing, collecting, depositing and posting.
- (5) Payroll – recordkeeping, preparation and distribution
- (6) Financial reporting – preparing, reconciling and distributing.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – The City Council will review control procedures to try to obtain the maximum internal control for each of the following: cash handling, bank reconciliation, investments, utilities, payroll and financial reporting.

Conclusion – Response accepted.

II-B-09 Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquencies for each quarterly billing period. The Council or a Council-designated independent person should review the reconciliations and monitor delinquencies.

Response – We will start doing reports quarterly.

Conclusion – Response accepted.

II-C-09 Timesheets – Time sheets were not required of the City Clerk. The City Clerk did not maintain a timesheet or other adequate documentation to record hours worked.

Sherrill Sewer Department  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2009

Recommendation – The City Clerk should prepare a timesheet or other adequate documentation that is reviewed by an independent person for reasonableness and approved. The approval should be indicated by a signature or other documentation.

Response – The City Clerk will begin to keep track of hours worked.

Conclusion – Response acknowledged. The timesheet should also be reviewed for reasonableness and approved or modified.

II-D-09 Accounting Procedures Manual – The City does not have a written accounting procedures manual. A manual would provide the following benefits:

- (1) Aid in training additional or replacement personnel.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save time by recording decisions so items will not have to be addressed each time the same, or a similar, situation arises.

Recommendation – An accounting procedures manual should be prepared for the City.

Response – We are currently working on a policy and procedures manual.

Conclusion – Response accepted.

II-E-09 Information System – The following weaknesses in the City's information system were noted:

- (1) The City Clerk and the Mayor share a password to access City information.
- (2) Passwords are not required to be changed at least every 60 to 90 days.
- (3) Passwords are not required to use numbers or special characters.

Also, the City does not have a written disaster recovery plan.

Recommendation – The City should develop written policies addressing the above items in order to improve the City's control over computer based financial systems. Also, a written disaster recovery plan should be developed and tested periodically.

Response – The City Council will develop a policy to address the passwords and changing passwords for the City's information system. The City Council will further address a disaster recovery plan and set a test schedule.

Conclusion – Response accepted.

Sherrill Sewer Department  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2009

II-F-09 Charge Account – The City maintains a charge account with a local business for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of the charge account and to establish procedures for the proper accounting of charge account activity.

Recommendation – The City should adopt a formal written policy regulating the use of the City charge account. The policy, at a minimum, should address who is authorized to use the charge account and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response – The City Clerk will discuss with the City Council and try to establish a policy.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.



Sherrill Sewer Department  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2009

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**SIGNIFICANT DEFICIENCY:**

No material weaknesses in internal control over the major program were noted.

Sherrill Sewer Department  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2009

**Part IV: Findings Related to Required Statutory Reporting:**

- IV-A-09 Certified Budget – The budget certified by the City of Sherrill includes amounts for the Sherrill Sewer Department. Disbursements during the year ended June 30, 2009 did not exceed the amount budgeted.
- IV-B-09 Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-C-09 Travel Expense – No disbursements of Sewer Department money for travel expenses of spouses of Sewer Department officials or employees were noted.
- IV-D-09 Business Transactions – No business transactions between the Sewer Department and City officials or employees were noted.
- IV-E-09 Bond Coverage – Surety bond coverage of Sewer Department officials and employees is carried by the City of Sherrill in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- IV-F-09 Council Minutes – No transactions were found that we believe should have been approved in the minutes but were not.
- IV-G-09 Deposits and Investments - The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.
- Recommendation – The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa.
- Response – The City will establish an investment policy.
- Conclusion – Response accepted.

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Sherrill Sewer Department

Staff

This audit was performed by:

Suzanne R. Dahlstrom, CPA, Manager  
Brett C. Conner, Staff Auditor

A handwritten signature in black ink, reading "Andrew E. Nielsen". The signature is fluid and cursive, with the first name "Andrew" and last name "Nielsen" clearly legible.

Andrew E. Nielsen, CPA  
Deputy Auditor of State